

# **Audit and Governance Committee**

**Tuesday 18 November 2025**

**PRESENT:**

Councillor Allen, in the Chair.

Councillors Cuddihee, P.Nicholson, Raynsford and Sproston.

Independent Member Mrs Annette Benny.

Apologies for absence: Councillor Finn.

Also in attendance: Peter Burgoyne (Senior Counter Fraud Officer, Devon Audit Partnership), Hannah Chandler-Whiting (Democratic Advisor), Louise Clapton (Audit Manager, Devon Audit Partnership), Wendy Eldridge (Lead Accountancy Manager), Glenda Favor-Ankersen (Head of Electoral Services) (via Microsoft Teams), Carolyn Haynes (Lead Accountancy Manager), Bradley Hutton (Devon Assurance Partnership), Barrie Morris (Grant Thornton), Dan Povey (Grant Thornton) (via Microsoft Teams), Tony Rose (Head of Devon Assurance Partnership), Jamie Sheldon (Senior Governance Advisor), Ian Trisk-Grove (Service Director for Finance), and Ollie Woodhams (Head of Finance).

The meeting started at 2.00 pm and finished at 3.41 pm.

*Note: At a future meeting, the committee will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.*

**34. Declarations of Interest**

No declarations of interest were made.

**35. Minutes**

The minutes of the meeting held on 16 September 2025 were agreed as an accurate record.

**36. Chair's Urgent Business**

Councillor Allen made members aware that there was an update on the capitalisation direction and Ian Trisk-Grove (Service Director for Finance) gave the following update:

- a) The capitalisation direction had been approved;
- b) A press release had been issued;
- c) It would be announced on the GOV UK website shortly.

## **Interim External Auditor's Annual Report**

Barrie Morris (Grant Thornton), supported by Dan Povey (Grant Thornton) introduced the item and discussed:

- a) A final version of this report would be provided to the Committee in early 2026;
- b) In terms of financial sustainability, significant weaknesses had been identified, and key recommendations had been made to combat financial challenges that the Council faced;
- c) Recommendations covered developing and implementing the Council's transformation plan, which in turn identified savings needed to balance the medium-term financial strategy, to protect the level of reserves held;
- d) Focus was being placed on reducing the annual dedicated school grant deficit, which was significant and growing fast;
- e) Delivering mitigating actions to manage cost and demand in social care, within both adults and children's services, which were issues faced by many English local authorities;
- f) Economy efficiency and effectiveness had been identified as an area of weakness, and one key recommendation had been raised in relation to the SEND improvement notice the Council was issued in 2023;
  - i. Improvements had been made since the notice was issued;
- g) No key recommendations or identification of significant weaknesses for governance arrangements had been made;
- h) Opportunities to strengthen arrangements had been identified across several areas, including delivering the Armada Way action plan, which was progressing well, enhancing procurement and contract management oversight, and continuing to improve performance management.

Supported by Ian Trisk-Grove (Service Director for Finance), in response to questions, the following was discussed:

- i) A need to focus on developing a pipeline of savings that the Council could use to cover multi-years and would allow it to progressively address any budget gaps, of approximately £30 million, over the period of the Medium Term Financial Strategy (MTFS);
- j) Long term savings initiatives;
- k) The opportunity to identify and embed the transformational changes required, including the savings plans already in place;
- l) Many councils were relying on reserves, which was only a short-term solution and could not be repeated once depleted;

- m) It was right to view this report as a clear warning and a prompt for continued focus and action;
- n) A number of local authorities were in significantly more challenging positions, with many seeking exceptional financial support from government to fund day to day activities and several had issued Section 114 notices, meaning they had effectively run out of money, while others had approached government early to avoid reaching that point. Statutory reporting confirmed this wider trend. Plymouth City Council was not at that stage, but this was the moment to take action to avoid deterioration;
- o) Plymouth City Council's (PCC) financial sustainability depends on the resources it received and therefore had to focus on what it could control: delivering statutory services as efficiently as possible, learning from councils that had required support or intervention, and reviewing the affordability of discretionary services;
- p) The Dedicated Schools Grant and Education Health and Care Plan pressures were of significant national concern;
- q) The assessment was based on the arrangements in place in 2024 to 2025 and the MTFS so the auditors had not attempted to predict outcomes of the fair funding review or SEND reforms, as government announcements had not yet been made, but future multi-year settlements would help with planning;
- r) The Council is actively developing a medium- and long-term transformation programme, with dedicated programme management, to address major demand pressures in areas such as children's placements, adult social care and homelessness;
- s) Action was ongoing, but this remained a point in time within a shifting national context;
- t) It wasn't yet known how the new three-year settlement would be structured, but in principle it was significantly more helpful for future planning, particularly for programmes such as City Help and Support that were designed to deliver medium and long-term change.

38.

## **Update on External Audit Actions**

Ian Trisk-Grove (Service Director for Finance) introduced the item and highlighted the following:

- a) Grant Thornton were currently on site conducting the year-end external audit, with in-person working taking place rather than hybrid arrangements;
- b) A number of recommendations discussed at the previous committee meeting had been addressed, with some still in progress;
- c) Outstanding actions primarily related to non-current and fixed asset recommendations, for which additional steps had been implemented pending external audit review;
- d) The outcome of the current audit would confirm whether these actions had adequately addressed the identified issues and whether any further recommendations were required;

- e) The outstanding recommendations mainly related to capital assets, land and buildings, where the Council had put additional controls in place;
- f) Key steps had been taken on the value for money recommendations, including work on the transformation programme, the SEND inspection response and the management actions and were reported through to the corporate management team for visibility.

39. **Counter Fraud Services Report 2025/26**

Tony Rose (Devon Assurance Partnership), supported by Peter Burgoyne (Senior Counter Fraud Officer, Devon Audit Partnership) introduced the report and highlighted:

- a) The National Fraud Initiative (NFI) data-matching exercise had been completed, and the team were reviewing the results. A full update would be provided in the end-of-year report;
- b) A significant new area arising from the NFI was “career polygamy”, where individuals worked for two employers simultaneously, which had increased due to home working. The team was assessing how to ensure the Council was protected and able to respond appropriately;
- c) New NFI data requirements on residential care home and personal care data had been met. The relevant teams provided the information promptly, and matches were now awaited from the NFI;
- d) The Economic Crime and Corporate Transparency Act 2023 had come into effect, introducing “failure to prevent fraud” obligations. The Council’s fraud policy had been updated accordingly, and all policies and procedures would continue to be reviewed to ensure compliance and strong defences, aligned with best practice guidance from CIPFA.

In response to questions, the following was discussed:

- e) The matches for career polygamy had been received from the NFI, which required all public bodies to submit data, including payroll information, and this had highlighted cases where people appeared to be working for two authorities at once;
- f) Referrals were not being received from HMRC at that time, though this was likely to happen in the future;
- g) Some cases might involve fraud, but others might simply be individuals not understanding the rules, and some people legitimately had two jobs, so the focus was on identifying situations where someone was being paid at the same time for the same work, and ensuring the Council had the right policies to prevent this.

The Committee agreed:

- I. To note the report.

40. **Internal Audit Half Year Report 2025/26 and Management Action Tracking Update Quarter 2**

Louise Clapton (Devon Assurance Partnership), supported by Gareth Sampson (Operations Development Manager for Social Care) introduced the report and highlighted:

- a) The report outlined progress against the approved internal audit plan and provides a mid-year assurance opinion on the adequacy and effectiveness of the Council's internal controls;
- b) A reasonable assurance opinion had been issued, confirming that governance and control arrangements were generally sound, though some areas needed further improvement to support strategic objectives;
- c) At the half-year point, 59% of the audit plan was complete or in progress, and 76% of completed audits had received reasonable or substantial assurance;
- d) Some audits had been deferred to the next financial year due to ongoing strategic programmes, external reviews, or capacity constraints. These would be reassessed during audit planning for the next cycle;
- e) Audit coverage continued to be aligned with organisational risks and priorities, with assurance delivered in a timely and responsive way;
- f) The update tracked progress on implementing management actions from limited assurance audits;
  - i. There were 13 limited assurance audits with outstanding actions at the mid-year point;
  - ii. Of 108 agreed actions, 59 had been completed and 49 remained outstanding;
  - iii. 11 actions were overdue by more than 90 days;
  - iv. Four actions were currently on hold due to system changes or resource constraints;
  - v. A breakdown of outstanding actions by audit area and officer commentary on overdue items had been provided;
- g) The tracking process ensured risks identified through audit were being mitigated, and internal audit would continue to work with management to progress outstanding actions and report back.

Supported by Ian Trisk-Grove (Service Director for Finance), the following was discussed in response to questions;

- h) There had been a strong push from the corporate management team to support officers in progressing management actions;

- i) Many of the outstanding items were complex;
- j) Two major actions remained overdue because the Eclipse upgrade was still awaiting a final software development;
  - i. Earlier phases were completed in 2022 and 2023, and the Eclipse Board had agreed to begin negotiations with the manufacturer, with the intention of placing an order before the new year and starting implementation in the new financial year;
  - ii. Improvements had already been made in CareFirst to provide better reporting and clarity, and reporting to the NHS had increased. Once the Eclipse finance module was implemented, the Council would be able to fully complete this audit work and use improved functionality to show joint-funded costs clearly;
  - iii. Eclipse had stronger cybersecurity protection than the CareFirst system.
- k) A full cybersecurity update would come to the committee in January 2026, and the topic had already been considered by Scrutiny Management Board, with substantial work underway.

The Committee agreed:

I. To note the report including:

- The assurance position presented within this report, including progress toward the annual internal audit opinion;
- The delivery of audit work against the approved plan, including any in-year adjustments;
- The scope, capacity, and resourcing of the internal audit function to complete its planned work;
- The key audit findings and any significant issues or themes arising from completed engagements;
- The performance of the internal audit service;
- The proposed in-year changes to the audit plan, and that these remain aligned to organisational risk and priorities.

41. **2025-26 Quarter 2 Risk Management Update**

Bradley Hutton (Devon Assurance Partnership), supported by Ian Trisk-Grove (Service Director for Finance) introduced the report and highlighted:

- a) 14 strategic risks had been identified, with brief descriptions and current risk scores included in the report;

- b) The value of the support from the Devon Insurance Partnership and highlighted that this work forms part of evolving the Council's approach to risk, improving language, understanding and alignment between strategic and operational risks;
- c) Improvements had been made to the presentation of the risk register, including adding the previous register for traceability and introducing a heat map to support visibility and maturity of risk management;
- d) It was acknowledged that the circulated risk register format was difficult to read due to small font size. A more accessible version would be circulated to accommodate members' needs, following similar feedback from the Scrutiny Management Board.

The Committee agreed:

- I. To note the report.

#### 42. **Treasury Management Mid-Year Report 2025/26**

Wendy Eldridge (Lead Accountancy Manager) and Ollie Woodhams (Head of Finance) introduced the report and highlighted:

- a) The report fulfilled the requirement under the Treasury Management Code of Practice for the Council to report its treasury performance twice yearly. This was the mid-year review covering activity for 2025/26 up to 30 September 2025;
- b) The report compared actual treasury activity with the structure approved in the February 2025 annual budget;
- c) External economic context had been provided by Arlingclose, the Council's treasury advisers;
- d) The report highlighted the scale of the SEND (Special Education Needs and Disabilities) deficit and the statutory override, noting the impact on the Council's balance sheet and borrowing requirements;
  - i. The SEND deficit was currently forecast to reach £54 million by March 2026 and was incorporated into borrowing forecasts;
  - ii. A balance sheet summary showed increasing net borrowing to meet both the SEND deficit and cash flow requirements for capital schemes not funded by external grants;
  - iii. The liability benchmark showed that including the SEND deficit increased the borrowing requirement above the preferred benchmark level;
  - iv. When the SEND deficit was excluded, long-term borrowing was within the expected range;

- e) Borrowing increased in the first half of the year; the Council had made use of money market funds to hold borrowing at favourable rates until existing loans mature;
- f) A recommendation was proposed to increase the money market fund limit per counterparty from £12 million to £15 million, following benchmarking against similar councils;
- g) The borrowing strategy included reviewing LOBO (Lender option borrower option) loans and taking opportunities to borrow at advantageous rates, which the Council had done;
- h) The treasury management revenue budget was broadly balanced. Higher borrowing costs from securing loans early had been offset by increased interest income;
- i) Commercial investments made under previous rules total around £230 million, generating forecast net income of £12 million;
- j) A prudential indicator had been exceeded due to a higher level of fixed long-term borrowing than originally anticipated;
- k) A recommendation was made to increase the fixed rate target to allow flexibility in securing borrowing at beneficial rates over the next few months.

In response to questions, supported by Ian Trisk-Grove (Service Director for Finance), the following was discussed:

- l) The interest rate exposure showed borrowing over 365 days, while it also stated that borrowing was typically secured over 364 days - the one-day difference determined whether borrowing was treated as fixed or variable;
- m) Fixed borrowing gave certainty, but keeping some variable borrowing provides flexibility to secure cheaper rates when they fell, although it also carried the risk that rates may rise when the borrowing was refinanced;
- n) The government had extended the DSG deficit override by two years and had confirmed that this national issue would be addressed through upcoming announcements, including the policy statement, the provisional settlement, and most importantly the white paper in January 2026. Based on the information available, the government recognised the problem and intended to respond through these forthcoming measures;
- o) It could not be assumed that the Government would refund the deficit, so the Council could not make any allowance for future reimbursement in its accounts. The position would only become clear once the government issues the white paper in January 2026;
- p) The MTFS explicitly highlighted the DSG deficit, its growth from £18 million to a projected £54 million, and the impact on Plymouth. This demonstrated that the Council was formally calling out the problem through its reporting;

- q) The Council's current approach was to present the facts and the financial impact of the deficit while awaiting the government's white paper, which would set out the required next steps;
- r) The treatment of reserves was usually reported through the MTFS, and this would be addressed in more detail as we move closer to setting the 2026–27 budget;
- s) Based on advice from treasury management advisors, the current approach was to place more emphasis on fixing borrowing because although interest rates were expected to fall, they would not return to previous low levels. Fixed borrowing over three to five years would give greater certainty and protect the Council from interest rate risk;
- t) Some variable borrowing would be retained, partly because of the rate swap, but increasing the fixed rate limit provided flexibility to make the best decisions at the time;
- u) The gap between fixed and variable rates changed throughout the year. Early in the year many councils were cash heavy and offered lower variable rates, but later in the year variable borrowing was often more expensive. Increasing the fixed rate limit gave us flexibility to secure favourable fixed rates when they appeared, without compromising the borrowing rates. It ultimately depends on the market conditions at the time;
- v) The prudential indicators provided the framework that allowed the team to act within the approved strategy and make the best borrowing decisions as market conditions changed.

The Committee unanimously agreed to:

1. To endorse the midyear treasury management report 2025/26 to full Council;
2. To note the impact creating by borrowing for the SEND deficit and liability benchmark exposure to high borrowing, exceeding capital financing requirements.
3. To note non-compliance with the Treasury management indicator for interest rate exposure through upper limit on fixed rate exposure, explained by paragraph 12.3 of the report;
4. To endorse the following recommendations to Full Council;
  - i. Increase the upper limit for fixed interest exposure to 100%;
  - ii. Increasing the counterparty limit from £12 million to £15 million for investment in money market funds.

#### 43. **Capital Programme Financial Risk Management**

Ollie Woodhams (Head of Finance) highlighted:

- a) A high level review of risk was carried out, focusing on the capital programme as a whole rather than individual projects;

- b) The first four risks were managed at individual project or programme level, such as Highways Maintenance and Facilities Management maintenance;
- c) The final three risks, relating to financing of capital investment, overall affordability, and financial governance and oversight, were managed across the entire programme;
- d) Benchmarking work had recently been completed to assess overall affordability of the capital programme;
- e) The audit findings report considered earlier in the meeting included an improvement recommendation on affordability;
- f) A wider review of the capital programme was underway and the results would come to Committee in January 2026 as part of the capital strategy report;
- g) Work was ongoing in response to the Armada Way Independent Learning Review recommendations, this work was being looked at by the Audit and Governance Sub-Committee: Armada Way Independent Learning Review Action Plan.

In response to questions, the following was discussed:

- h) Effectiveness varied between projects due to the diverse and often high-risk nature of Plymouth's capital programme, particularly regeneration and historic asset work. Cost overruns and delays occurred where unforeseen issues arise;
- i) Overall, gateway processes and financial governance were strong, with tight controls through the Capital Programme Officer Group and good practice was emerging in larger projects;
- j) Some processes could be improved, and ongoing work following the Armada Way review aimed to strengthen governance further;
- k) Contingency levels were set on the advice of cost consultants and varied depending on project risk, with higher contingencies for older buildings or unknown ground conditions. Safety was non-negotiable under construction and building safety regulations. Quality and cost were balanced with decisions made early in design to ensure the best outcome within available budgets;
- l) Record keeping in 2025 was far better than in the past. Modern projects now required full design and build documentation, which was stored in the asset management system, however, older projects from the 1950s-1980s often had limited or incomplete records because such documentation was not produced or retained at the time;
- m) Facilities management maintained updated condition and service records in the asset management system, and overall record keeping was understood to be much improved compared with the past;
- n) Ensuring all parties update and maintain reliable information was essential to avoid future problems.

The Committee agreed:

- I. To note the report.

44. **Armada Way Action Plan Sub- Group Update**

Jamie Sheldon (Senior Governance Advisor, Democratic Services) presented the item and highlighted:

- a) The sub-committee received updates on six key areas: governance, project management, consultation and engagement, environmental regulations, employee wellbeing, and training and development;
- b) The sub-committee were satisfied with the progress that had been made.

45. **Action Log**

The Committee noted its action log.

46. **Work Programme**

During this item:

- a) Councillor Raynsford enquired about the Plymouth Waterfront Partnership BID, and when this might be looked at by Councillors, and Hannah Chandler-Whiting (Democratic Advisor) advised that it was on the work programme for the Natural Infrastructure and Growth Scrutiny Panel in early 2026.

The Committee noted its work programme document.

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